EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NIO /ECON		X		
20	D/OGI		X		
21					
22					

SUSPENSE ____________
Date

Remarks

[redacted]

STAT

Executive Secretary
9 Oct 85
Date

3637 (10-81)

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Executive Registry
85-3449/1

EPC Minutes
11 Sep 85

THE WHITE HOUSE
WASHINGTON

CABINET AFFAIRS STAFFING MEMORANDUM

Date: 10/7/85 **Number:** -------------- **Due By:**

Subject: Economic Policy Council Minutes:
September 5, 6, 9, and 11 meetings

	Action	FYI
ALL CABINET MEMBERS	[ ]	[ ]
Vice President	[ ]	[x]
State	[ ]	[x]
Treasury	[ ]	[x]
Defense	[ ]	[x]
Justice	[ ]	[x]
Interior	[ ]	[ ]
Agriculture	[ ]	[x]
Commerce	[ ]	[x]
Labor	[ ]	[x]
HHS	[ ]	[ ]
HUD	[ ]	[ ]
Transportation	[ ]	[x]
Energy	[ ]	[ ]
Chief of Staff	[ ]	[x]
Education	[ ]	[ ]
OMB	[ ]	[x]
CIA	[ ]	[x]
UN	[ ]	[ ]
USTR	[ ]	[x]
GSA	[ ]	[ ]
EPA	[ ]	[ ]
NASA	[ ]	[ ]
OPM	[ ]	[ ]
VA	[ ]	[ ]
SBA	[ ]	[ ]

	Action	FYI
CEA	[ ]	[x]
CEQ	[ ]	[ ]
OSTP	[ ]	[ ]
McFarlane	[ ]	[x]
Svahn	[ ]	[x]
Chew *(For WH Staffing)*	[x]	[ ]
Hicks	[ ]	[x]
Executive Secretary for:		
DPC	[ ]	[x]
EPC	[ ]	[x]

REMARKS:

Attached for your information are the minutes of the following Economic Policy Council meetings:

September 5
September 6
September 9
September 11

RETURN TO:

[x] Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

[ ] Don Clarey
[ ] Rick Davis
[ ] Ed Stucky

Associate Director
Office of Cabinet Affairs

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MINUTES
ECONOMIC POLICY COUNCIL

September 11, 1985
4:00 p.m.
Roosevelt Room

Attendees: Messrs. Baker, Block, Baldrige, Yeutter, Sprinkel, Wright, Whitehead, Taft, Ford, Burnley, McFarlane, Kingon, McAllister, Ogelsby, Amstutz, Brashear, Driggs, Levine, Low, McMinn, Mulford, Stucky, and Wallis.

1. Multilateral Investment Guarantee Agency

Mr. Mulford provided a status report on the Administration's efforts to enter into a joint arrangement to create the Multilateral Investment Guarantee Agency (MIGA). He stated that the purpose of MIGA is to improve the investment climate in developing countries. The agreement that the U.S. will vote on at the IMF meeting in Seoul has been shaped to accommodate the major U.S. concerns.

1. MIGA would have close ties to the World Bank. The World Bank chairman will serve as ex officio chairman of the MIGA Board.

2. Clear and effective dispute settlement arrangements are assured.

3. Decision making will be based on a voting system which relates voting powers to financial contributions.

4. MIGA is committed to carry out its activities in accordance with sound business and prudent financial practices.

5. MIGA insurance coverage will be restricted to economically sound projects.

Mr. Mulford stated that steps to ensure U.S. membership in MIGA will include consultations with Congress.

The Council's discussion focused on whether the current proposed MIGA charter is as tightly restricted as was described at the senior interagency group-international economic policy (SIG-IEP) meeting at which U.S. membership was approved. Secretary Baker noted that the charter cannot be written to specify all the kinds of guarantees to be offered; this must be done through the voting procedures. Mr. Mulford explained that voting was based

on financial contributions and that the initial membership is 5 developed countries and 15 developing countries. Countries indicating interest in joining MIGA include Korea, China, India, smaller Latin American countries and African countries.

2. The Farm Bill

Secretary Block offered a brief review of the current status of the farm bill. The House Agriculture Committee has enacted several very troublesome amendments, including those that would further distort the market decision making-process, provide export subsidies, and enact tariffs. Mr. Wright noted that the farm bill would cost $55 billion, much more than the $34 billion assumed in the budget resolution. He stated that the Agriculture Committee is keeping down the cost of the bill through accounting gimmickry, including pushing costs into outyears and relying on unrealistic economic assumptions.

3. Report of the Working Group on Sugar

Mr. Amstutz explained that the 1981 farm bill established a loan rate of 18 cents per pound for sugar, while the world price of sugar is 3 cents per pound. The difference was to be maintained through quotas and fees, with the current mechanism being a quota. The 1985-86 quota must be established by September 15.

He noted that U.S. domestic sugar demand is dropping, in part because of the growth of low cost sugar substitutes. U.S. sugar demand has declined by 2.2 billion tons, while demand for sugar substitutes has increased 2.8 billion tons.

Mr. Amstutz stated that the current quota is 2.55 million tons for a 14-month year. Reevaluating the current supply and demand projections would lower the quota from 2.55 million tons on a 14 month basis to 1.03 million tons on a 10 month basis. This action, however, would have serious international implications. Lowering the quota would reduce Caribbean Basin Initiative (CBI) countries foreign exchange earnings by $124 million and the earnings of all developing countries by $234 million. However, maintaining the current quota would cost the U.S. Government $260 million in budgetary outlays. He noted that major reform of the sugar program, which does not appear likely, would not alter the current quota options.

The Working Group on sugar developed four options for the Council's consideration:

1. Reduce the quota to 1.03 million tons, which would balance projected demand and supply.

2. Maintain the current quota level during a 10-month quota year, which would be the equivalent of 1.82 million tons.

3. Mitigate the effect of a lower quota on the CBI countries by establishing a "sugar adjustment fund" to offset 75 percent of the export earnings of CBI and other developing countries with per capita income of less than $1,500.

4. Reduce the quota to 1.03 million tons, but mitigate the impact on CBI countries by announcing that 1.5 million tons may be imported at the world price for refinement in the U.S. as fructose sugar.

Ambassador Yeutter endorsed option two -- maintaining the current quota level -- in the interest of national security. He stated that the option of permitting sugar to enter the U.S. to be refined as fructose was not viable as it would meet strenuous opposition from domestic corn producers. And the idea of establishing a sugar adjustment fund, while helping the CBI countries, was more complicated than simply maintaining the quota.

Mr. Sprinkel stated that the sugar program was a highly inefficient program costing consumers in the excess of $4 billion, $3 billion more than the amount received by the beneficiaries of the program, domestic sugar producers. In the long term, Mr. Sprinkel stated, the only answer is to reform that program. In the short term, he argued, the best approach would be to maintain the current quota. Mr. Sprinkel also noted that this approach would transform the hidden costs of the sugar program into more obvious on-budget costs.

Several other council members expressed support for maintaining the current quota. Mr. Whitehead suggested a token reduction in the current quota level to signal sugar-producing developing countries of the conditions in U.S. markets.

<u>Decision</u>

The Economic Policy Council unanimously agreed to recommend to the President that he maintain the current quota, with a token reduction to 1.72 million tons.